

**DEPARTMENT OF INSURANCE
STATE OF CALIFORNIA
45 Fremont Street, 21st Floor
San Francisco, California 94105**

RH 01016587

July 26, 2002

PROPOSED PLAN OF OPERATIONS TEXT¹

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM

Amend Section 8 to read as follows:

Sec. 8. DETERMINATION AND FULFILLMENT OF PRIVATE PASSENGER
NONFLEET LIABILITY LOW COST AUTOMOBILE INSURANCE
PROGRAM QUOTAS

B. Limited Assignment Distribution Procedure

6. The contract shall contain provisions agreed upon by the servicing company and the buy-out company regarding the buy-out company's Program renewal business, and the obligations of the buy-out company with respect to the assignment period.

The contract may start on a date which the Plan, the buy-out company, and the servicing company specify, and shall run to the end of any calendar year.

7. In force Program policies of the buy-out company in existence at the time of the effective date of the buy-out contract may be transferred to the servicing company upon expiration. The transfer must be agreed upon by the servicing company and the buy-out company in the contract. In addition, each insured transferred must meet the eligibility requirements for a Program renewal.

The buy-out company will verify the eligibility of each Program insured for a renewal in accordance with Section 30. If the insured is eligible for a Program renewal, the buy-out company will notify the insured and the producer that the Low Cost Auto policy is being transferred to the servicing company. The servicing company shall issue a renewal policy in accordance with the procedures in Section 30. If the buy-out company determines that the insured is no longer eligible for a Low cost Auto policy, the buy-out company will issue a notice of nonrenewal in accordance with Section 30.

¹ The proposed changes amend the California Automobile Insurance Low Cost Program Plan of Operations approved by the Commissioner.

8. A LAD servicing company may assume additional assignments from the Program twice its own current LCA quota, so that it may carry three times that volume, without prior written approval of the Commissioner. Additional LCA assignments beyond the limit may be assumed by the servicing company, but only with the prior written approval of the Commissioner.

The Manager shall provide the Committee and Commissioner with a quarterly report of the buy-out contracts in effect.

- ~~7.~~9. Once the LAD buy-out contract has been approved in accordance with the provisions of this subsection, the Plan shall send all LCA assignments for all insurers in that LAD arrangement to the servicing company. Annually, the Plan shall indicate how much of the LAD servicing company's LCA business was needed to fulfill each buy-out company's quota. Any over/under assignment of the insurers in the LAD arrangement shall be attributed to the servicing company.

[The remainder of Section 8 is unchanged.]